

RECONSTRUCTION IN POST-WAR INDIA

A PLAN OF DEVELOPMENT ALL ROUND

BY
SIR M. VISVESVARAYA, K.C.I.E.

THE ALL-INDIA MANUFACTURERS' ORGANISATION
BOMBAY

SEPTEMBER, 1944
ANANDA BAZAR PATRIKA.
LIBRARY. 3292

• 8 9 2 3 7
3 4 5 7 5

CONTENTS

	PAGE
INTRODUCTION	i
I. OBJECT AND AIM OF RECONSTRUCTION	1
II. WHY A NATIONAL GOVERNMENT IS NECESSARY	9
III. POLITICAL RECONSTRUCTION	16
IV. SOCIAL RECONSTRUCTION—CERTAIN GRAVE DISABILITIES	25
V. SOCIAL RECONSTRUCTION (CONTINUED) — NATION- BUILDING	33
VI. ECONOMIC RECONSTRUCTION	39
VII. A FIVE-YEAR PLAN	49
VIII. RECOMMENDATIONS—SUMMARIZED	54

Introduction

POST-WAR Planning is at present engaging the attention of most of the belligerent nations, both Allies and Axis. After the war, India too will want to secure a better life than she has hitherto known, and to achieve that object she shall have to rebuild her house thoroughly.

The transfer of political power to the Indian people, according to a promise made by the British Government so far back as 1917, is still the greatest and gravest of problems awaiting settlement to-day. The economic policies and practices prevalent in the Dominions of Canada and Australia are under the circumstances most appropriate to follow, and the present opportunity should not be missed to rebuild a new structure and give this country a national status.

Government Committees on Reconstruction Planning have been working for more than three years, but without any clear ideas or policies on the subject. The public are not aware that Government themselves have any definite views in the matter. They have been suggesting piecemeal proposals like road development, health improvement, education, railways, etc.; proposals mostly unproductive which have no relation to one another and which give no idea of the aggregate financial liability involved.

It will be seen from what is set out in the following pages that in regard to reconstruction there have been delays, secrecy, haphazard planning or no planning at all. The whole trend of Government's reconstruction thoughts as revealed in their official report of 1st March, 1944, is materially different from what gains support in this publication or what responsible industrialists and business men in many parts of the country deem necessary or indispensable.

According to the same report, Government propose to issue before long a preliminary directive to the Reconstruction Committees, indicating the general policy of the Government of India and the items of development on which they wish to place special emphasis. This they propose to issue only to their own Committees. There is no promise that the public will be taken into confidence. Unless Govern-

ment reveal a new view after obtaining the opinions of representative leaders and business men, no progress of any real value to the country can be said to be within sight.

The problems of reconstruction are many and so very important as to require for their solution on up-to-date lines the full co-operation, of the great majority of the intelligent people of the country.

The plans and proposals advocated in this publication, particularly in the sphere of economic development have, it is believed, the support of the great majority of leading business men in practice. They are, it will be seen, in general agreement with what is known as the Fifteen-Year Plan published in Bombay in January, 1944.

The function of planned progress is to make the average citizen a happier and more effective person. A modern democratic constitution, some measure of social security to safeguard subsistence needs, effective future military defence, and a vigorous drive towards a national status and towards the fostering of a progressively efficient population—these are the basic needs of India at the present time. To create a national structure possessing these attributes, a new spirit has to be put into the thoughts and activities of the entire population who are at present sunk in lethargy and helplessness. Public-spirited citizens to undertake this work there are in large numbers, but there is need for a satisfactory political status to give them the freedom, support, opportunity and the congenial atmosphere that are now lacking.

Under Dependency rule, apathy, indifference, fatalism have had prolonged sway over citizens' minds, have lowered their working calibre and brought their living conditions to the verge of disaster.

Since there is unmistakable evidence of growing poverty and distress due to neglect of industries and since evidence is also overwhelming that Government are indifferent to the growth of industries in this country, an open discussion on the subject between Government and representative Indian industrial and political leaders is a *sine qua non*. A frank statement by the former, after such exchange of views, of what their future policies and course of action are going to be, is a natural expectation.

In every reconstruction programme, it is the economic part which will claim most attention and on which the heaviest capital expenditure will be needed both for investigation and preparations and for investment as capital.

What the taxpayer may legitimately claim is that a complete plan based on a unified concept, with objects fully explained, and the necessity and value carefully reasoned and calculated, should be prepared first and approved by a properly constituted Economic Council. At least, this part of the programme will, it is hoped, be completed, sanctioned and brought into operation at the earliest possible moment to prevent injuries and losses to the country's material interests by further delays in Government planning.

A simultaneous appeal is made to every cultured citizen who loves his homeland to study the problems discussed here and treat the effort as his contribution to the commonweal. He should keep an eye on the future reconstruction planning to make sure that it proceeds along right lines for the building up of the new kind of country that is wanted.

It is the application of millions of minds to problems of the kind brought to view here that would go to create a high level of working efficiency among them and eventually lead to an improved social and economic order calculated to build up the greatness of a nation.

The future prosperity of the people of India depends on reforms and developments of a radical nature in all three spheres—political, economic and social—the last one including organization for nation-building.

As the success of any economic or social plan depends on the changes in the political situation, stress has been laid in this publication on political reconstruction as a first step in the direction of development. The country has to be first lifted out of the economic and social depression brought on by a long period of Dependency rule.

RECONSTRUCTION IN POST-WAR INDIA

1. OBJECT AND AIM OF RECONSTRUCTION

THE primary object of reconstruction in India is to raise the country's economic efficiency to a level at which the average citizen would readily find employment and be able by honest labour to earn enough to keep himself alive. He should have the opportunity to use any energy or influence he may possess to create conditions in which the risk of unemployment is reduced to a minimum and a progressively rising standard of living secured for himself and the surrounding population.

Taking a wider view of the situation, the principal aims of the citizens should be: *politically*, to secure the transfer of the administration of the country into the hands of the representatives of the people; *economically*, to increase their working power, their capacity for production of commodities and income; and *socially*, to build up in every region, in every corner of the country, a reasonable standard of subsistence, rest, recreation and adventure which the advance of science and past experience of progressive nations have placed at the disposal of every active and wide-awake people.

The new developments to be attempted should be in accord with the world changes brought on by the two wars. They should satisfy the ideals and principles of Democracy which the Allies in this war deem fundamental for the future welfare of the world. And they should be viewed and set forth as a unified concept and not dealt with piecemeal.

"Everybody will have to work hard after the war, not only in industry but in guarding and extending their own political liberties." This was a remark made recently by Mr. Herbert Morrison, a member of the present British Cabinet, and it is referred to here because it applies with special significance to Indian conditions at the present time.

As is done in every warring country, we too have to divide our reconstruction problems for our present purpose into two classes: one for immediate action following the war and connected with the transition from war to peace conditions and the other long-range problems which will have a far more permanent effect and which will be referred to later. The first embodies the immediate problem of finding employment for demobilized armed forces—soldiers, sailors and airmen, as soon as there is cessation of hostilities. This will also include arrangements for providing employment to workers engaged in manufacturing munitions and other war supplies.

Transition from War to Peace Conditions

Government seem to be deciding these matters without consulting the leading citizens, business communities or their representatives who will be affected by the new measures. The public are not informed what is actually happening. It is necessary that some of the buildings and machinery which were in use in war-time should be retained for permanent use for the manufacture of war material; some will be useful for conversion into modern civilian industries. As many military works as possible which can be utilized for production of consumer goods should be handed over on reasonable terms to local business men.

The settlement of contracts when their operation is suddenly terminated at the close of the war is also a matter requiring close attention by the representatives of the people whose interests are likely to be affected. It is desirable that Advisory Committees of popular representatives should be set up for this purpose.

Every item of war expenditure will have to be examined and settled promptly to get the true costs debitable to the account of India—approximately at least—as soon after the termination of the war as possible. It should be remembered that war expenditure on an extraordinary scale is being incurred at present without consulting the wishes of the accredited representatives of the taxpayers.

One or more Advisory Committees of trusted Indians should take part in these arrangements to ensure that the Indian point of view is

not overlooked in any transaction of importance connected with the transition. It will be the Indian people that will profit if the settlements made are advantageous; it will be the same community that will lose if mistakes are made or wrong settlements effected in its name.

Armed Forces—Army, Navy and Air Force

It is understood that quite 2½ million persons are at present employed in the Army. The strength of the Royal Indian Navy and of the Indian Air Force including non-combatants was recently announced to be 20,000 and 30,000, respectively.

One point for serious consideration in this connection is whether it is not desirable to extend the services of as large a part of the present force as may be found efficient for the future defences of the country. The present personnel of the fighting forces will have acquired experience which in peace-time new men will take long to gain. Since we are assured that the transfer of political power to Indian hands is a certainty after the war, the most outstanding decision to be taken by the Indian public is whether, instead of disbanding, it is not desirable to retain a substantial portion of these fighting forces in active service until the new National Government is firmly established. What numbers should be taken as a reasonable strength in the immediate future is a matter for decision by a competent representative body or committee of chosen Indian leaders on the advice of experts in Defence strategy.

Long-range Reconstruction Problems

The second class of problems which are long-range ones are far more important: they are connected with the removal or reform of existing defects in administration, organization, etc., which are weakening and harmful to the country's stability and growth. Some new developments and reforms are needed for supplying future wants, and some more for building a new national structure to enable the country to keep in step with the world to-day.

The long-range reconstruction problems requiring solution or development are numerous. Many vital wants of national importance were retarded before the war. Chief among them were mass educa-

tion, industries, military training and the manufacture of armament machinery needed for Defence. A number of heavy industries seems to have been deliberately kept out of the country during this war and the transactions kept secret.

Reconstruction Aims

The industrially developed nations are also belligerent nations at the present time. Competition in industries leads to political differences and such differences not unoften lead to war. What the countries which are industrially developed are looking for are industries operating at full speed, export trade, new markets for their goods, reduction of unemployment, raw materials and increased investment of capital in their own as well as in foreign countries.

The requirements of our own undeveloped country are: enlightenment through education; a considerable increase in production both from agriculture and industries; more gainful activities and employment for the people, larger incomes and a rise in the standard of living. The best remedy known to secure a rise in the standard of living is industrial development. Heavy industries are of special value at the present time. Lighter ones too should be actively promoted. An attempt must be made to reduce the present excessive overcrowding of population on agriculture by transferring a material portion of it to industries and other non-agricultural pursuits. Attention has to be bestowed also to expand agriculture on modern lines; it needs to be developed from a scientific and a more strictly business viewpoint.

The Indian view of what the country's future growth should be is not different from that held in Canada or Australia for developments in their respective countries both before and during the war. The only difference has been that those two Dominions were free to build up heavy industries and improve their economic position during the war, while India was burdened with restrictions by Great Britain and denied such liberty.

India's Special Wants

India is left undeveloped. Since the administration is still treated as a Dependency, Government do not encourage development plans

as a rule, and people are not free to work together in large numbers and design as they deem proper for execution, plans or schemes best suited for the country's advancement. They now seek freedom from all such unreasonable restrictions.

“ Great harm has been and is being done to economic advance by two omissions on the part of the Government of India, namely, disinclination to foster industries and unwillingness to maintain statistics. An energetic industrial policy and reliable statistics are held to be indispensable for economic safety in the United Kingdom itself, in the British Dominions and in all progressive countries of the modern world. These two omissions in India have done the greatest injury imaginable to the country's economic progress.

The Bombay Fifteen-Year Plan

A number of prominent Indian industrialists met in Bombay under the leadership of Messrs. Tata Sons, Ltd., and published in January, 1944, a Fifteen-Year Reconstruction Plan for India. The Plan makes provision for an expenditure of Rs. 10,000 crores in 15 years and its aim is to double the income and appreciably raise the standard of living of the population. Two-thirds of that expenditure is to be incurred on productive undertakings. The Plan is considered by most thinking people in this country to be as good a one as any that could be put forward at the present time for the economic amelioration of India.

The Government of India have been engaged in planning work for the past three years but they have not announced any reasoned policies, nor advanced any unified scheme. They seem to have developed four or five proposals at random and in the case of some of them are understood to be giving executive orders without obtaining previous popular approval in any shape or form.

Government of India's Attitude

The first report of the work of Reconstruction Committees of the Government of India was issued in March, 1944. The report

states that much information is being collected. This they have been doing for a long time but such constructive proposals as have seen the light are detached and fragmentary. One notable feature in them all is that the country's most urgent want is overlooked and omitted.

Although the economic reconstruction of the country is a fundamental and most urgent need, Government have not made any attempt to examine the situation critically either by statistical measurement or by taking the people into their confidence. Foreign Planning systems too do not appear to be consulted. The information and statistics of war work done for India's defence, given to the public, are very meagre. Foreign journals occasionally publish facts and figures bearing on the war material manufactured in India but the Government of India give to the taxpayers of this country no regular account of what it is doing, or what it has achieved.

A close examination of the political, economic and social aspects of the country's situation is necessary to be taken as a basis for planning reconstruction. This can be undertaken only when a National Government comes into power. The needs of the country have to be examined in a comprehensive and courageous manner. The practice of sanctioning individual schemes is open to objection. For example, a large expenditure of Rs. 400 crores on road making is contemplated, development of electric power is talked of, railway work costing over Rs. 300 crores is projected, but the more important needs of agriculture, development of mass education, training people for skill in production and for defence in man-power or machinery, are not given the prominence that is due: and the most important need of all, namely, the development of industries, is practically ignored.

It is industries that are given the greatest prominence both in Canada and Australia and in all foreign countries—Allied or Axis. It is to industries that prominence is given in the Bombay Fifteen-Year Plan. But industries are conspicuous by their absence in all important announcements of the Government of India.

A Change of Government Policy Foreshadowed

Government have issued a report of the work done since they began planning for reconstruction. They have also announced the creation of a Planning and Development Department and appointed a new Member of Government to be in charge, from August, 1944. These two moves will be appreciated by the public. The report, however, does not say what the aims and objects of Government generally are but it makes the admission that Development Officers cannot make much progress without some indication of the general policy of Government.

The developments going on in the Provinces are also not correctly known. There are anomalies and inconsistencies of procedure which require to be explained to the public in order to restore confidence in the reconstruction policies of the Government. Since it is repeatedly stated that the control of the administration will shortly be taken over by a National Government, it does not seem reasonable or appropriate that individual schemes should be sanctioned without consulting the trusted representatives of the people in some form or other. It is primarily the people's concern; it is they who will benefit by the success, or lose by the failure, of such, sanctions.

Reconstruction Under Three Main Heads

Reconstruction plans should provide for all forms of public activity, political power, economic strength and social and cultural efficiency. All reconstruction work of a long-range character should therefore be brought under three main heads or divisions, namely,—

- (1) Political,
- (2) Economic, and
- (3) Social including Nation-building.

India being undeveloped has to adopt a much wider programme of reconstruction than the more advanced nations whose chief aims after the war are reduction of unemployment and increase of economic prosperity.

In most Post-war Reconstruction Plans, however, considerable importance is attached to economic reconstruction, particularly to

promotion of industries. The poverty brought on by age-long neglect of industries and the economic insecurity caused by the abnormal war activities, has had a disastrous effect on the living conditions of the poor in several parts of this country. In the past year or two, many poor people have actually perished through destitution and starvation.

Developments in the economic sphere are the greatest direct need to-day to promote the welfare of the Indian masses. But economic advance is dependent on political power and the transfer of political power to Indian nationals promised more than a quarter of a century ago has not yet materialized. This has created a political deadlock which is blocking the way to real progress. The public should ask Government to state frankly what they propose to do and why they do not follow the practices common in other progressive countries, or in the two Dominions of Canada and Australia who have set such a good example.

The practice which Government in this country followed before the war in regard to its economic wants was to place undue emphasis on agriculture and stop industrial expansion. During the war the right kind of heavy industries required for civilian or defence needs was severely discouraged. No less an authority than the ex-Viceroy expressed the opinion that "India is, and for a long time yet, likely to be, mainly an agricultural country." To ask the enormous population of India in an industrial age to be content with agriculture is to give them a wrong lead and has been a legitimate cause for complaint. If industries continue to be discouraged and obstructed in this way, the economic stability of the country will be further injuriously affected and will be exposed to graver perils. In a world which is dynamically going forward, it is suicidal for a population of 400 million to submit uncomplainingly to restrictions so prejudicial to its material welfare.

II. WHY A NATIONAL GOVERNMENT IS NECESSARY ?

It is proposed to draw pointed reference in this chapter to a number of difficulties which have arisen owing to the unwillingness of the present bureaucracy to encourage industrial or other large economic undertakings, and the numerous difficulties which earnest workers in the cause of economic prosperity are experiencing as a result.

The general statement why the people of one nation cannot do the planning for another is very pithily put by an English journal, *The New Statesman and Nation*, according to a *Reuters'* cable of 3rd August, 1944 :—

“ The white strangers cannot do the planning for India. Any plan that begins to cope with Indian poverty will have to shake Indians out of their old habits and customs. It will have to enlist their patriotism in a mighty national effort. It will have to overcome some anti-social forces entrenched in their own society. These things a foreign bureaucracy cannot do. Only a popular National Government rooted in the pride and affection of the masses could do all this.”

Disadvantages of Dependency Rule

We have grown up and been working largely in an atmosphere of Dependency and subordination. We are now face to face with a new world, the result of two wars, scientific advance, new discoveries and inventions, new habits and practices acquired under the stimulus of the two wars. Our economic affairs have for long been regulated by Great Britain. Time and again we have complained without avail, that Government has been unwilling to help the growth of industries ; that adequate tariff protection and banking facilities were not available to help production, that elementary statistics needed to watch production from agriculture and industries were not collected and supplied, and that, with a view to keep a docile population under subjection, mass education had been restricted and material progress in many directions impeded.

In spite of the fact that vast masses—more than nine-tenths—of the rural population are illiterate, the country has 47 million literate

people—quite as large a number as the entire population of Great Britain—to supply for the services of the country a body of men physically and mentally fit for any profession, or any class of duty required in a civilian community. Only the administrative and social structure of the country should give local men of resource and talent opportunities to qualify themselves and come to the top. Since seven-eighths of the population is still left in ignorance, a special effort is now necessary to spread elementary education in all parts of the country.

Past Government Attitude Towards Industries

India, the home of fine muslins about a century ago, has long become a market for British piecegoods. At one time cotton was exported to England, converted there into cloth and returned to this country for sale, thereby depriving vast masses of the population of their natural occupation in hand-spinning and weaving and involving huge export of money to pay for clothing which they were originally manufacturing for themselves. When the Bombay textile mills began to work satisfactorily, an excise duty was levied on locally mills-made goods for some time in order to discriminate in favour of the products of Great Britain.

War is a time when foreign imports are cut off and both the Government and the people are prepared to spend freely on products made locally. At such times, local markets will be favourable and local industrial products secure a rise. But during the two wars, Government took special steps to stand in the way of expansion of heavy and key industries which would have given skill to our workers and added permanently to the country's productive capacity. Few non-officials were associated in heavy armament industries.

Instances of Government's Obstructive Attitude

A dozen industries which are very necessary and whose development is of prime importance, are enumerated in the chapter on economic reconstruction (Chapter VI). There is demand in the country for all those industries, and their products. Government have been opposed to and been obstructing their establishment. Here are a few concrete instances of Government's hostility and interference.

(1) The public are aware that shipbuilding has not been allowed to proceed although preliminary expenditure amounting to more than a crore of rupees has been incurred by a group of Bombay industrialists on shipbuilding plant and works. While impeding shipbuilding locally, orders seem to have been placed for new ships to be built for India in Australia, notwithstanding the fact that that country was no better equipped than India was when it started this industry. This fact came to notice from a cable from the Viceroy of India, which found publicity in Australia, to an Australian shipbuilding company, congratulating that company on the execution of his order. Government do not inform the public in this country what they do in such matters.

(2) Steel is a most necessary material for industries, it is in the position of a mother to industries, but its production has not been allowed to expand beyond what was being produced before the war, and this notwithstanding that the British Empire was very short both of iron ore and steel-making capacity relatively to Germany. During the war, Government arranged to send pig-iron from India to England to be converted into steel there. Probably thereafter, the same steel in some new form was brought back to India. They did not even encourage an increase in the output of pig-iron. During the war, we have had hints and suggestions through the Press that as a result of this discouragement Government were compelled to import large quantities of steel into India from the United States of America. All this has happened although India has long been manufacturing iron and steel cheaper than the United States of America and cheaper also than Great Britain or any other part of the British Empire.

(3) A scheme for an automobile industry was put forward so long ago as 1936 and the public are aware of the correspondence published by the writer which showed that Government would not agree beforehand to buy any motor vehicles manufactured by an Indian company. The Provincial Government of Bombay and the Indian State of Mysore were at one time willing to co-operate with the promoters in starting this industry, but the records of what passed then will show that the Government of India's attitude dissuaded both these subordinate Governments from helping the venture.

(4) The Hindustan Aircraft Factory in Bangalore was started by an Indian company of managing agents from Bombay. The plans for this industry were developed by the representatives of the

company while on a visit to America to arrange for establishing the automobile factory referred to above. Although they did not take the initiative in starting the factory, Government co-operated and agreed to use the factory for war purposes. After the Indian company constructed the scheme, and had made an efficient business of it, it was offered a substantial reward to surrender its rights and Government then took over and transferred it to military control and reduced it to a jobbing shop. On the contrary, the experience in Canada and Australia shows that the Governments of those countries themselves started large works and handed them over to private companies for execution.

(5) A company to establish a locomotive factory was started at Jamshedpur more than ten years ago. Government exercise vast influence over railway purchases and because probably Government would not agree to buy engines from that company, it was forced to go into liquidation. During the war, practically the construction of all capital goods other than what were required for the war, has been stopped in India. In order to keep up the import trade into India, Government seem to have arranged to supply this country with 400 locomotives from the United Kingdom and 180 from Canada, all manufactured in those countries in spite of the much greater stress of war work there. Orders were placed in India for commodities required during the war in the production of which higher engineering or technical skill was not needed.

(6) Some enterprising engineering firms wanted to manufacture tools for use in their own factories but under the Machine Tool Control Order it is understood that attempts were made not to grant licences on the ground that the Government feared over-production of machine tools in the country.

Precautions to Keep Heavy Industries Out of India

At the Eastern Group Conference, questions relating to manufacture of war material were discussed and decided: while well-known manufacturers from other countries were included in the Conference, India was represented only by Government officials.

The Roger Mission too was packed with industrialists from England and the Dominions, but none from India. Decisions were

taken secretly and the report was not published. In the name of secrecy much ordinary information usually available in England, Canada or Australia, to their public, was not given to business men here, nor were trusted representatives of the people of the country taken into confidence in framing the Mission's proposals. The report of the Roger Mission has remained a sealed book to the Indian public to this day.

The Grady Mission report has also been kept secret. The public who it is presumed have to pay a part of the cost of the Mission have not been informed of its recommendations nor of the action taken by the Government in that connection.

Other Instances of Economic Injury

Both Canada and Australia have been publishing accounts of their achievements in building up heavy industries during the war.

Steel production has increased in Canada during the war from 1,300,000 tons to over 2,000,000 tons a year. From 1,500 men employed in Canadian shipyards before the war, the number has gone up to 20,000 workers. At one time, about 40 planes a week were being turned out for war purposes in that country. It must be considerably more at the present time.

In Australia, a former Prime Minister has stated "we see iron and steel in Australia as the basis upon which the greatest effort of our lifetime is being put forth."

These two countries, Canada and Australia, with their populations of 11,000,000 and 7,000,000, respectively, have built up a sturdy economic life in this war by trusting for success to their own efforts whereas India with its population of 400,000,000 is practically suffering from enforced idleness in such matters. The Government of India will find it difficult to contend that there was no connection between the retardation of industries in this Dependency and the visit of Mr. Guy Locock, the representative of the British Board of Trade, to the Eastern Group Supply Conference session held in India in October, 1940.

It may be of interest also to give, in this connection, an extract from the *Railway Gazette* of London (published in the *Hindu* of 4th December, 1940) which gave an account of the mission of Mr. Guy Locock to safeguard the interests of British manufacture and trade in connection with the Eastern Group Council which met in this country. The extract reads as follows:—

“As the Board of Trade representative on the Mission, he (Mr. Locock) was entrusted with the task of appraising future effects on British industry of the war production expansion now being undertaken, always keeping in mind the necessity for giving priority to vital war needs. . . . At the same time Mr. Locock holds the view that no steps have been taken to expand production as a result of the Mission's visit which are not essential for war purposes and that on the whole post-war interests in India of British industry are not likely to suffer so greatly as was at one time expected.”

Comment on this is needless.

One other instance which may be mentioned is the working of the United Kingdom Commercial Corporation which was a British Government organization and which was allowed to operate in India to purchase commodities at Government-controlled prices and to sell them at a profit to other countries.

In recent months, there have been complaints that coal is not made available for local industries and consumer goods are allowed to be imported from the United Kingdom.

The Indian business public should know that there is no industry carried on in foreign countries which cannot be profitably worked here with similar facilities. There is a record that steel was exported to Glasgow from South India in the middle of the last century and that it was of a better quality than that made in the United Kingdom. The writer has more than once brought to notice that Japan used to import textile goods from Bombay about the year 1898. For the past 15 or 20 years, Japan has been allowed to dump her products in India.

In certain European countries before the war, the Government charged as high a tariff duty as 100 per cent. to keep out foreign goods and encourage local manufactures. This the writer ascertained in course

of personal inquiries. Such a measure would be possible in this country only if trade control is exercised by persons whose sole interest is in the prosperity of India.

In former years when representatives in Legislative Councils complained that they wanted developments or reforms, Government usually appointed mixed committees and the reports of those committees, if they favoured any rapid advance, were in several cases shelved without explanation. Such shelving was not challenged by the public owing to the complaisance of local industrialists and sometimes owing to rivalries and lack of unity among local business men.

The writer was a victim himself in two or three instances. As Chairman of the Indian Economic Enquiry Committee appointed by the Government of India in 1925, he spent nearly a year in touring and preparing, with the help of colleagues, proposals for a statistical organization for the country. Nearly another year was spent in preparing a report on Technical and Industrial Education with the help of an influential Committee appointed by the Government of Bombay consisting of seventeen members of whom ten were European and seven Indian members including the Chairman. That report also included a proposal for the establishment of a College of Technology in Bombay. This was more than twenty years ago. In both these instances, the Chairman's European colleagues were opposed to any important developments and the Indian members solidly supported him. No fault was indicated by any member of the public or the Press in the proposals made, but the Government simply shelved the report and ignored the proposals.

In the case of the automobile industry also, the writer took the initiative and spent both time and money on investigation in foreign countries and submitted a report in the hope that that modern industry might help in the industrialization of the country. But Government merely went on giving excuses and took no notice. They have, however, in the current year given the writer an assurance that facilities would be given to industrialists who want to start the industry as soon as the war was over.

III. POLITICAL RECONSTRUCTION

HAD the political developments in India proceeded smoothly from the year 1909 onwards and the representatives to the Central and Provincial Legislatures been returned by joint electorates as before, a Two-Party system of democratic Government would have become established by this time. That smooth path was not given a trial; a communal system of elections was introduced instead.

The British Government have not frankly stated why, when they took no notice of claims of minorities in any shape or form before 1909, they should take this new departure when the people have begun to ask for self-government and why they should give prominence to claims of this sort before giving a trial to joint electorates.

It is not understood why, if the British Government is ready to transfer power to Indian hands, they should concern themselves with questions like the rights of minorities. At a time of settlement like this there will always crop up special claims, disputes and minority and other differences. The decisions should aim at the wider permanent interests of the entire community. Minorities have got on very well in countries like Switzerland, Canada, and even in the United States of America. They have got on also fairly well in Indian States. Why should they be particularly uncomfortable under a National Government in India?

In regard to Indian States, discussions have been going on for over twenty-five years. The question of self-determination for State subjects is still undecided.

The British Government have stated that Indians might choose the sort of Constitution they want by organizing a Constituent Assembly specially for the purpose. A Reconstruction Commission duly approved by such a Constituent Assembly may be established for making all necessary recommendations and arrangements for the transfer of power.

In all reconstruction plans, economic development usually receives chief attention. In India, however, economic progress is not

possible unless the Dependency position of the country is changed. The transfer of power to Indian hands has to come first and the question of transfer forms also a part of the reconstruction planning. There will be many changes necessary in administrative policies and practices for establishing a National Government.

Government's disinclination to commit themselves to clear views in these matters has created a deadlock and is blocking all progress.

Proposed New Constitution—Joint Electorates

At present the Act of 1935 is stated to be in operation. Many of the leading members of the Central Legislature are detained in prison on account of the "Quit India" resolution which the Congress passed in August, 1942. The Constitution according to the 1935 Act is not, therefore, at present in proper working order.

Any impartial observer who examines the present situation will find that the conditions of transfer of power are in every sense feasible and the conditions imposed by the British Government are unreasonable and in some respects impossible. One thing is certain. Any conditions imposed will weaken the power of the new Government. In what follows in this chapter the straightforward lines on which the new Constitution should be developed and worked are briefly stated.

In the elections to the future Central Assembly or other corresponding legislative body, representatives should be returned by a joint electorate. Communal representation should be abolished. The qualifications for voting should be either ownership of property or literacy above a prescribed minimum standard.

When the elected representatives for the first time meet at the Central Assembly, there will doubtless be several persons of outstanding capacity and integrity capable of leading the entire body. A person who enjoys the confidence of the largest number of representatives, at least more than 50 per cent. of them, would ordinarily be entrusted with the responsibility of forming a Cabinet. This leader will choose other members for the Cabinet from the elected representatives, usually with the concurrence of the majority party. A Cabinet so

composed with the Viceroy as the representative of the Crown will constitute the Government of India for the time being.

A Two-Party Government

There will be a Two-Party Government as in the modern Democracies of the United Kingdom and the United States of America. The great majority of elected representatives will, under the leadership of well-known public men, divide themselves into two great parties, such as Conservatives and Labour in England, or Democrats and Republicans in the United States of America, and will have their own appropriate local party labels. In voting on public questions smaller parties will side with one or the other of the two great parties according to their views on the individual questions which come up for decision from time to time.

Future Relation to British Crown—Sir Stafford Cripps' Proposals

The principal feature of the offer which Sir Stafford Cripps brought to India went some considerable distance towards satisfying Indian opinion, except in two or three important respects.

The right of self-determination for every province was suggested and the formation of one or more Indian unions. This meant that India would be divided into independent units whenever the Provinces or States chose to separate themselves from the principal Union. This was a position fundamentally wrong since it would break up the unity of India and no individual province or unit is likely to survive in the long run as an independent political unit. The British Government would practically remain as suzerain power over all of them.

When there was a split in the United States of America in the sixties of the last century, a portion of the population who favoured the continuation of negro slavery wished to separate themselves from the main body of American population. The people under the inspiring leadership of Abraham Lincoln fought and prevented the dissatisfied States from seceding from the Union after the negro population attained freedom.

The most formidable obstacle to the concession of responsible government arises from the disinclination of the British statesmen and the British public to part with the powers and privileges which their predecessors and themselves have for so long enjoyed in this country. Those powers and privileges fall practically under four heads:—

- (1) Market for British goods ;
- (2) The privileges of supplying the Defence services of India with officers and men and with armaments, warships, aircraft, etc. ;
- (3) Providing occupations in Civil employment ; and
- (4) Control or regulation of industries, trade and communications in India.

In all these matters Great Britain is vitally interested.

The proposals of Sir Stafford Cripps also provided that the Defence portfolio should continue to be held by a British Commander-in-Chief in India.

The relations of the future India Government to the Crown should be exactly the same, subject to variation only in regard to local conditions, that exist at present between the Dominions of Canada and Australia and the British Crown. This need not form a subject of further deliberation or discussion. There should be no difficulty to concede this arrangement, since according to Sir Stafford Cripps, India, like other Dominions, will have the privilege of seceding from the British Commonwealth whenever she so desired.

Defence Arrangements for the Future

India, it is stated, cannot have responsible Government unless she can maintain her own defence against foreign aggression. For this purpose she should have a strong Indian Army manned and officered by Indians. As stated before, the country was promised Dominion Status so long ago as 1917. The Government ought to have prepared the country for self-protection by this time but it has not been done, and there is no sign yet of any preparation. The British Government

has delayed this preparation and is not expected to arrange for defence of its own free will.

In a recent speech the Secretary of State for India, Mr. Amery, stated that India would not be able to protect herself for several years to come and had to depend on England. It is, therefore, necessary that the moment a National Government comes to power it should begin to treat the preparation of the country for self-defence as a measure next only in importance to the holding of political power. The country's leaders in politics and industry should take rapid steps to choose the right men and organize the necessary military power for defence. This capacity will be regarded as a test both by foreign nations and the Indian masses of the ability of Indians to hold political power.

The new Government should, simultaneously with the commencement of Dominion Government, appoint a Committee of Defence to take vigorous measures to build up its defence policies and provide complete training for all arms within a fixed term of years. An understanding may be come to with the British Government if they are willing to help and co-operate in this matter on reasonable terms, mainly financial. The full control over military affairs should be with a National Committee of Defence from the very start. A committee of responsible leaders and military men trusted by the people should be appointed for the purpose. Military sciences should be given due importance also in University courses of studies.

A Military College or Colleges should be established to train officers for the Army, Navy and Air Force. In this mechanical age, the strength of the Army will be the brain of its officers and it should be recruited more and more from the ranks of the educated population. Subject to stipulated tests, young men from all parts of India and of all communities should have an equal chance of admission to the Army. Questions pertaining to the future Navy and Air Force should also begin to receive attention from the day the new Dominion Government comes into power. The earliest attention should be paid to Air Services. They are easiest brought

into existence under present conditions and are sure to be of the greatest strategic value to begin with.

Government in the Provinces

If the organization and structure of the Central Government given above are accepted, those for the provinces of British India will follow the same lines. The communal electorates have to be abolished and joint electorates substituted in their place.

The new Constitution should provide for approved redistribution of responsibilities, functions and duties between the Central and the Provincial Governments; the existing distribution, when it was first introduced, was not made solely to advance public interest.

The Cabinets of Ministers for the Provincial Governments will be constituted in the same manner as those proposed for the Central Government.

The Government of Indian States

The Government of India Act of 1935 provided that the future Indian Government should be Federal and the Indian States should form part of the future Union. The Indian States are in the same position as the British Provinces are at present except that the people in the former have some advantages and also some disadvantages. They are under two controls at present : (1) from the orders and regulations governing the entire Indian sub-continent passed by the Government of India, and (2) from those passed by the respective Princes, or by the States' Governments in their name. Some of the people in the States are well-off and others are badly placed according to the traditions and practices prevailing in the various States. The people of the States should have the same sort of representative Government that the Provinces would have, and they should send representatives to influence proceedings and decisions of the Central Legislature in all matters which concern the States in the same manner as the Provinces do. The people of Indian States pay taxes to their Rulers and also pay taxes indirectly to the Government of India, and they thus have a claim for representation in both spheres.

The constitution and administration of Indian States will thus be similar to those of the Provinces except that a hereditary Prince will be at the head with powers in several respects higher than those of the Governor of a Province. The main thing is that the people of the States should also have responsible Government. If this form of Government is not conceded to States' populations, the settlement of the Indian problem will be a partial and, therefore, only a temporary achievement.

The British Government as represented by the Government of India have not clearly stated whether the Indian States should or should not have responsible Government like the Provinces in British India. They keep silent on the subject which shows that they are conscious of an inconvenient omission.

Since the progress of Indian States will also depend on the progress of India as a whole, it would be a misfortune to the country if the States forgot that union was strength and if, for any reason, they chose to stand apart from the main body of their fellow countrymen at this critical juncture.

Clear Understanding with British Government in regard to British Trade and Finance

The precise extent of property and trade relations of the British in India both at present and what they are to be after Indians get the power should be closely examined at the time of transfer of power by a highly responsible Commission or Committee and a definite understanding arrived at between the representatives of the Indian Government at the time and the business interests of the citizens and the Government of the United Kingdom. British capitalists own manifold enterprises in India relating to tea, coffee, jute, mines and many miscellaneous undertakings. There should be a very clear understanding regarding control of these by the future Indian Government. Whatever understanding is arrived at should be subject to renewal and reaffirmation after three years of autonomous Indian Government.

The past and present relations of the Dominions of Canada and Australia will be a valuable guide in this matter which should be examined and may, it is believed, be closely followed with advantage.

Complete Control over Finance, Defence, Communications and Foreign Relations

The powers of the new Government should be the same as those of any National Government. Supreme control over all key positions and particularly over the departments of Finance, Defence, Communications including Shipping, and Foreign Affairs should be conceded from the very commencement.

The administrative and political leaders should have full opportunity to handle their country's resources, to train, equip and put to work the vast populations now insufficiently employed, in order to render the future work of the people effective, particularly for increasing production.

The country should be free to settle its financial relations with Great Britain and other countries on any basis that it considers to be just and reasonable.

The treatment of the Defence problem has been dealt with in an earlier portion of this chapter. Communications including Railways, Shipping and Airways both for Civil life and Defence purposes should be under the entire control of the new Government.

Foreign Embassies and Consulates should be established in the same way that the Canadian Government has done and with the same liberty to extend freedom of intercourse with foreign nations to the fullest extent desirable. Canada has some 30 Consulates in as many different countries and these Consulates keep the industrialists and business men of that country fully posted with the developments that are going on in trade and industry practically in all parts of the world.

Training Defence Services and Manufacturing Defence Machinery

We are laying emphasis on Defence training and defence equipment as the most important preparation needed to achieve and maintain self-rule. The Army, as already mentioned, has to be Indianized if there is to be any freedom for the Indian people. Political and administrative power when obtained will not be effective unless it is backed by military power. To be defenceless in the face of armed forces near and far is practically an invitation to war.

To secure permanent proper adjustment of supervision and control over the Defence forces is a very complex problem. The country should train men and manufacture equipment by a highly thoughtful organization and strategy to constitute a loyal backing to the Civil power. It should be secured by special legislative measures and Acts.

We want Indians to prepare for new situations, to fill new appointments, to submit to new loyalties. Any officer, citizen or person who is opposed to Indian advancement can say with apparent justification that preparations for all the positions in the Defence structure will require time. If this excuse is accepted, real self-government will be postponed for ten or fifteen years more and in the meantime the economic stability of the country will grow worse. Representative political and other leaders should, therefore, realize that preparation for the defence of the country is a big job to handle and it should be approached with a deep sense of responsibility.

The training has to be of two kinds—training the man who fights, and manufacturing the arms to fight with. The political and other leaders who advocate independence should note this and lose no time to make the special preparations necessary for Defence in connection with transfer of power.

The most important source of military power is developed industry and close acquaintance with military resources. Not the least of the difficult work connected with Defence preparations is the manufacture of the latest models of battleships, U-boats, trucks, aeroplanes and other armament manufacture which will form an essential feature of future defence. There is need for special study of Defence situation and Defence problems and for independent action to develop armament industries and military resources of every kind.

IV. SOCIAL RECONSTRUCTION

CERTAIN GRAVE DISABILITIES

FOR planned economy to be effective, the country should be administered as a National Government, not as a subordinate branch of the British Government. Developments and improvements grow automatically in a country which has a National Government, but in the case of India, the administrative machine is liable to be put on the reverse gear when progress in any department associated with economic development is considered too rapid. As a result of this tendency, some astonishing gaps have been left in the country's progress. To bridge the gaps special effort, considerable time, and large expenditure will be necessary in the majority of cases. We will give a few specific instances of such gaps.

Population Growing Faster than Means of Subsistence

Census statistics show that the population of India has grown by nearly 50 million since 1891, but there is no agency in the country which watches to ensure that enough income in goods and services is produced in the country to maintain this additional population in a state of ordinary comfort. The administration is primitive in some of these respects. Government do not maintain statistics of production, occupations, or even of unemployment. From the numerous deaths from starvation reported during the past year or two from the Bengal Province and two or three other areas, the public has had ocular proof that there are parts of the country which have reached the lowest levels of destitution.

Before the war, people were utilizing the products of agriculture to feed as large a population as possible. In villages particularly, the well-to-do classes gave a helping hand to the poor in times of distress or famine. A quantity of rice was also being imported from the Burma side. But since India became a base for war operations, food products were utilized for military purposes and for export, and this led to a reduction of stocks and rise in prices. Food products became scarce and the rise in prices placed them beyond the purchasing power of the poor. The greatest sufferers have been the middle classes and the

labouring classes and this has happened both in urban and rural areas. In advanced countries, statistics of production are maintained which give an early warning whenever there is a shortage of commodities or threat of disaster ahead. Private citizens too are able to watch production with the aid of statistical data.

The Indian people have not learnt to copy the correct methods of administration, or the efficient business habits and practices of Western countries, and Government too have not encouraged such developments. The world conditions have changed and the population of India has grown in excess of the available food supply. The position should be examined and promptly met by suitable administrative measures if future catastrophes have to be averted.

In Western countries two objects are very vigorously pursued, namely, reduction of unemployment and raising the standards of living. Families generally restrict the number of children to two or three. Some English families limit the number to one or two only in order to maintain a decent living for themselves. As a result of this, it is authoritatively stated that the population has ceased to increase. Warnings are beginning to be administered that if restrictions are maintained at the present rate, the population may dwindle down to half its present strength in another generation. But the British people know what they want, act as one nation and regulate their collective lives to suit changing conditions. In undeveloped India, there is lack of unity, Government stand aside, and no organization on any scale leading to social or economic reform can succeed by the unaided efforts of the people.

In these days individual families will be able to maintain a higher standard of living and live more agreeable lives if they avoid large families. Among nations disposed to regulate their lives by forethought and calculation, the spread of contraceptive knowledge has enabled parents to control the size of their families. It is hoped that the intelligent section of the population in our country will realize the gravity of the situation and do what they can to encourage, at least the poor in their own interest, to limit children to one or two in a

family. This restriction should be observed until at least the working capacity of the population and its standards of living are raised to an appreciably higher level, to withstand the economic storms such as those which overtook this country by the accident of its conversion into a war base.

Promoting Unity Among the People of India

As a result of unsettled political conditions the Indian communities are now divided into a number of political parties due mainly to communal representation in the Legislative Assemblies of the country. With the exception of populations who expected some direct gains by this kind of representation, the great majority of the public were opposed to communal representation. We are all tied to each other. What hurts one hurts another. The prosperity of well-to-do persons adds to the welfare of their neighbours. If the people have to live and work in amity, there should be harmony and co-operation and not conflict of interests such as has grown up within the past thirty or forty years.

In spite of present-day communal wrangles, many sane citizens consider that it will be easy to restore communal harmony by the simple expedient of arranging for joint electorates and by distributing political and administrative appointments not by favour or interest, but chiefly by merit according to rules followed in civilized democratic administrations. If this is arranged for and there is equal opportunity for all, the citizens will learn to work in harmony, and all classes of the population will benefit to the extent of the work they do or the effort they put forth.

Modernization as a Remedy

The term Indianization is used in this country to signify the transfer of an appointment from a non-Indian holder to an Indian. But that is not the sense in which the word is interpreted in these pages. It is the same as that in which Americanization was used in America as applied to immigrants who went from Europe to settle down in that country. The education, habits and manners of those immigrants were often of a very low standard on account of their poverty in their homeland. But the States' Government made

arrangements to train and improve the immigrant by giving him education, training in habits and manners, and good living, and thereby raising his standards to what were expected of an American citizen.

Americanization meant to convert men and women into first-class citizens with proper regard and respect for their institutions and national forms of government, together with a fuller appreciation not only of the rights and privileges of citizenship, but of the obligations and duties of citizenship as guaranteed under the constitution. Every person was expected to know the fundamental principles of Government and citizenship and the elements of knowledge pertaining to self-support and home-making in preparing the people for successful living and intelligent American citizenship. The American Government established for this purpose an Americanization Division in the Bureau of Education.

Preparation of the same kind is necessary in India to improve the efficiency of the poorer classes of Indian citizens by education and by taking such other measures as are necessary to develop their capacity and character. As nothing important or on a large scale is organized in this country, there are no standards of conduct or habits recognized at present. The educational institutions too do not give instruction in public morals. The right course would, therefore, be to have standards fixed by a Commission or Committee of representative leading citizens who have travelled abroad and know the weaknesses of the population here and also the means of improving their business efficiency. If Indianization is encouraged along right lines, the present disruptive differences between the various communities will soon disappear and the people will learn to behave with a feeling akin to kinship towards their own nationals, as has happened in the case of every progressive nation originally made up of mixed communities.

Elementary Mass Education—Rapid Development

One of the discreditable features of Indian life is that only about 12 per cent. of the population in British India can read and write. This leaves vast masses of the population without the capacity to

think for themselves, and during their whole lifetime helplessly dependent on others for guidance in their daily lives. The majority of the rural population have no means of using any effort or initiative for improving their economic position.

In the United States of America, the number attending educational institutions was as high as 24 per cent. of the total population in 1930. One of the speediest ways of extending mass education is by giving instruction to adults in their spare hours. The adult population in this country should be likewise induced to submit to discipline and make the necessary sacrifices to learn to read and write, and where circumstances permit, also to improve its skill in practical arts.

An intensive and persistent campaign is being carried on for the spread of education in Russia. In 1928, the number of persons embraced by all forms of schooling was 14.8 million, whereas by 1931, the number had increased to 44.8 million. More than two million students were attending technical schools out of a total population of 166 million. This shows how rapidly the school-going population can be increased if there is a will and a policy in the administration. A special study should be made of the methods employed, especially in Russia, in order to extend elementary education rapidly among the rural population in the country.

We had about 146,082 students in Indian Universities in 1939-40. By changing the educational policies and enforcing a unity of purpose, this vast student force can be suitably distributed among all the professions and occupations for which trained men are wanted. This will require careful planning. If in this and in other ways the present unused immense man-power at our disposal is suitably mobilized, drilled and put to work, it may be a means of bringing an unprecedented harvest of wealth and power to the people within a very short time.

It is feared that the low level of literacy in British India is due not only to the indifference of Government, but also to lack of desire or interest on the part of the well-to-do classes to educate their illiterate brethren into a state of civilized existence. The intelligentsia who believe in the value of mass education for national uplift will, it is

hoped, join forces in future and remedy this neglect with all possible expedition.

Transfer of Excess Population from Agriculture

So long ago as in the year 1900, the then Secretary of State for India, Lord George Hamilton, stated in Parliament :—

“ We must try to vary the occupations of the people, for, so long as 80 per cent. of the population is engaged in agriculture the danger in the recurrence (of famine) is all the greater.”

For the past one hundred years or more, industries in this country have been starved through lack of protection against foreign competition and owing to absence of encouragement or impetus to indigenous enterprises. The result has been that occupations have become unbalanced and employment has suffered in volume and value. Due to foreign competition and the rapid abnormal increase of population, the earning power of the average citizen is growing increasingly precarious.

The proportion of population dependent on agriculture in India has gone up to 67.2 per cent. as against a corresponding proportion of 7.1 per cent. in England and Wales, and 22 per cent. in the United States of America. A rough examination of agricultural statistics shows that the average proportion of agricultural population in countries which have a civilized administration is about 33 per cent. It will be seen that the agricultural population in India has grown to quite double what it should be through neglect of regulation. A big attempt is now necessary to halve it rapidly by establishing new industries and by reviving other retarded occupations.

Village Self-government—Training in Democracy

We will conclude this chapter with a constructive suggestion of special value or importance. The writer advocated, in a book* he published in London in 1920, a system of village self-government which if adopted would have been of the greatest benefit to our rural population. It was based on a system of village self-government then in vogue in Japan.

* “Reconstructing India.”

The proposal was to group together some half a dozen to a dozen villages, each group containing a population ranging between 5,000 and 10,000, and to appoint a Village Council elected by the people of those villages to administer its affairs, particularly in education and in the production of consumer goods in the area. The seat or headquarters of the Council would be in a conveniently situated central village of the group. The Council would consist of about seven to twelve persons and elect its own Chairman at periodical intervals.

The constitution of the Council and its functions are laid down by an Act of the Central or Provincial Assembly. The taxes are gathered by the Chairman and his clerical staff, and the share belonging to the Provincial Government is remitted by the Village Council regularly to the District Treasury.

One special feature of this village self-government is that the Village Council gets advice from Provincial educational inspectors and looks after its own education. It spends 60 per cent. of its revenues on education of all kinds including instruction in agricultural practices, rural industries and training for the Army. Development of village life is attempted by Committees and informed persons in various professions and occupations such as military training, agriculture, industries, sericulture, etc.

Young farmers carry on research in agriculture by comparing output of production from their respective rice fields. Military training is given in the village itself under rules circulated by the Defence Department at very little expense to Government. A Government Inspector visits the village periodically to give advice. The result is that in an emergency when recruits are required for the Army, Navy or Air Force, young men with some amount of preliminary training would be ready to step in to meet the demand.

This system of village self-government combined with the operation and activities of the National Reconstruction Board, to be referred to in the next chapter, taken together, would be a most powerful aid to train the people in the ways and practices of modern democracy both in business and administration. These two proposals will form

a system under which a vast body of ordinary citizens can be rapidly trained to take their place in an enlightened administrative economy.

In the post-war period with air services in extensive operation, there will be closer intercourse and at the same time more severe economic competition between nations. How is the Indian citizen to be made an enlightened person with sufficient knowledge and shrewdness to get on in this new world-life without some sort of organization like the village autonomy scheme and the National Reconstruction Board we have described ? These two proposals are placed before the reader in embryo and both of them can be developed into practical schemes adapted to the conditions of this country with the aid of a committee of half a dozen business men and experts who have a knowledge of organization and village life. As practical people we ought to adopt these two measures without delay.

V. SOCIAL RECONSTRUCTION---(*continued*)

NATION-BUILDING

(1)

It will be readily recognized that the five or six grave deficiencies representing nation-wide deterioration or disorganization brought to notice in the preceding chapter are due partly to the form of government we live under. It will take a long time even under a National Government to remedy the deterioration in national efficiency caused by past failures in the administration.

Being accustomed to a Dependency position for many generations past, the people of India have to a large extent lost the habit of initiative and reliance on their own efforts, either as individuals or in a collective capacity, to realize any of their more important national wants by their own efforts. This habit of dependence has brought ruin to their material welfare, and unless it is soon replaced by a spirit of self-help, the population is likely to deteriorate still further and still faster.

If India is to come into line with other progressive nations, there should be competent leaders and top-men in every department of national activity, who when occasion demands would rise to the level of capacity or ability, at least of the world's average men of their class. Unless special arrangements are made for training such men it will take many generations to provide leaders of the type needed. Progress in such matters should not be left to mere chance.

Our national life being undeveloped, many characteristics required to constitute a modern civilized nation are confined to small sections of the population. To promote sound business habits, character, capacity and national efficiency, many useful activities, professions and practices common among modern nations, should become popular here and ingrained in our people. It will take a long time for any desirable new practice or modern development useful to the people to take root or get established in the ordinary course; and in a Dependency form of government the acquisition of such characteristics is checked or discouraged. To equip the country adequately as a modern State, a separate country-wide organization is needed in addition to

the Reconstruction Commission and the Economic Council already introduced to the reader. India should provide itself with this third organization also without delay.

(2)

A National Reconstruction Board

It is proposed to constitute this new organization with the designation *National Reconstruction Board* with authority to select workers for, and form councils or committees to take charge of, particular activities or developments to be promoted. Unlike the other two corporate bodies which will be official, this will be a public association but an association or organization working with the support of, or in collaboration with, Government to the largest extent feasible. It should consist of nine persons—representative leaders—six of whom may be chosen from public men of national repute and ability, and three from Government officials of outstanding character who are trusted by the public and have popular support. All the nine leaders should be so chosen as to make the position of the Board as representative and authoritative as possible.

Grouping of Subjects

The more important subjects or activities to come under the control or supervision of the proposed National Reconstruction Board will be collected as a first batch and arranged into a dozen groups; the nature of the subjects and their grouping will be easily understood from the dozen typical subject groups given below:—

Dozen Subject Groups

The dozen Subject Groups proposed for a beginning, which may be modified as required after public discussion at the time of approval or sanction, are the following:—

- (1) Rapid increase of production from agriculture and associated activities.
- (2) Rapid increase of production from industries and related activities.
- (3) Education—development, particularly of—Mass education ; Vocational education ; Special training for practical business life such as peasant cultivators, artisans, small manufacturers

and shopkeepers. Encouraging publication of technical and popular journals.

- (4) Education—higher—in Engineering, Industrial, Technical, Agriculture, Research, Commerce, etc.
- (5) Finance and Banking.
- (6) Maintaining statistics of production, unemployment, occupations and income for each Province and region.
- (7) Exports—Industrial policies; Tariff protection.
- (8) Transport—Roads, Railways, Shipping, Air-services.
- (9) Housing, Health, Village and Town Planning, and Medical Services.
- (10) Training for Defence Services, for admission to the Army, Navy and Air Force. Manufacture of Defence armaments, machinery like trucks, air-planes, munitions, battleships, etc.
- (11) Extensive use of machine tools, machinery and mechanical power in civil life to multiply human energy (care being taken to avoid unemployment of every kind in the process).
- (12) Promotion of capacity, character and modern business habits among the Indian population (concentrated attention needed).

Subjects Committees

It is proposed to appoint a separate Committee to hold charge of each group of activities given above. Each Committee will consist of six prominent citizens—chosen from representative public men who have specialized in the particular activity, development or profession to which they are to be attached. They should be, as far as possible, men of an all-India reputation in their particular activity or profession. The Committee will have its headquarters at a fixed centre, but its members may reside anywhere in any part of the country and its meetings may be held at regular intervals wherever found convenient, by mutual agreement among the members.

Some speedy means of training and preparing a fair number of citizens, in addition to Government employees, for all higher duties connected with a subjects group has to be adopted. A reasonable proportion of the population should be made familiar with the activities and duties connected with any subject group chosen. Otherwise

a National Government may come into existence without the ability, or the desire, in the men in power, to deal with the numerous practical questions that arise in reconstruction work from time to time, or to maintain a reasonable rate of progress to keep in step with other modern Governments.

Group Circles

It is suggested that a beginning be made with a dozen Group Circles such as those given above, each with an independent subject or group of subjects as stated before. A further dozen groups may be added later, should need arise, after a proper National Government takes over power.

The members of each Subjects Committee will keep in touch, by correspondents and visits, with one another and with people and institutions in every corner of the country who may be engaged in the connected activities or occupations. All such persons will come under the influence of a Subjects Committee, or of persons who collaborate with it, and will be known as constituting a *group circle*.

Staff and Funds

The staff required for executive work will have to be drawn both from the ranks of prominent public men and from Government officials when the services of the latter are readily available. If these proposals are accepted and encouraged by Government, the personnel can be drawn from both sources. If the present Government will help, a grant of about Rs. 50,000 may be allotted annually to each group circle to meet the salaries of the staffs employed and the traveling expenses of members of the Committees in charge of, or attached to, the groups.

The total annual cost of the entire organization including the expenses of the National Reconstruction Board will not exceed Rs. 8 lakhs in the first instance when only twelve groups will be functioning, and may be kept within Rs. 15 lakhs when all the 24 groups are developed and brought into working order. If Government are not disposed to co-operate, the question of finding the necessary funds from public subscriptions or private sources will require separate special consideration.

Object of Movement

Each Group Committee will keep itself in communication, in its particular sphere of thought or activity, with as many leading workers or professionals as possible in every part of the country. Each will be expected to maintain in India the largest amount of useful information obtainable and the highest level of progress attainable in its particular subject or activity. At all events, such should be the ideal.

One special object of the organization should be to train men, particularly to train leaders and top-men, to fill positions of trust and responsibility in the various fields of the country's advance. Much of the service expected is by its very nature social and unpaid or honorary. Every class of organization should be encouraged that gives opportunities to, or helps to attract, persons of capacity and character to render social service of this description. The proposed *National Reconstruction Board* when established will provide the opportunity in future.

Although subjects of political, administrative and economic importance have been dealt with in separate chapters, it will be noticed that some of the same subjects or portions of them are also included in the groups given in the present chapter. These will be subjects on which both the Government and the public could work jointly or side by side, and the country would be the gainer by such co-operation.

(3)

The system of group circles is considered necessary in order that a reasonable amount of activity may be maintained among the Indian population in all the principal subjects and professions associated with modern civilization. There is quite a good number of qualified men in the country to supply the personnel and there is enough money too for the work. But organization is lacking. Public co-operation and money will be also forthcoming without stint, if the Government of the country associate themselves with the plan. If they fail to do this, the citizens will have to depend on their own leaders and on their own unaided efforts—to raise the funds necessary by public subscription and to organize and maintain the necessary nation-building work by collective effort.

General

We have proceeded on the assumption that our people will acquire the Dominion form of independence as soon as the war is over. A separate national organization like the one proposed would, if efficiently worked, be of great value to promote discipline and modern gainful activities, and raise the standards of capacity and culture in the people. It will be an invaluable aid to promote self-help.

There are many dangerous deficiencies in the country which require close attention like the starvation catastrophe witnessed on the Bengal side. It is proposed that in future all unclassified and hitherto unrecognized defects, developments and wants should be collected into regular subject groups, and committees and workers organized and appointed to take charge of each for investigation or for taking remedial measures by the people's collective effort under this scheme.

Every intelligent and cultured citizen should take up at least one of the subjects groups for close study and endeavour to improve his knowledge of it, and his usefulness in it to the public, to as high a standard of efficiency as he can, and treat the effort as his contribution to the social service of his country and people. An appeal is made particularly to all young persons, men or women under 25 years of age, not to miss joining this army of workers and contributing their quota of social service.

The shaping of the country's future is the concern of every citizen. India will receive no help from outside in this sort of endeavour. It is by team spirit and united effort that the country would be able to build herself up into a nation. It is only when organized as a nation that the collective will-power of the people or of the majority of the people will come effectively into play to benefit the entire population.

VI. ECONOMIC RECONSTRUCTION

I

Economic Prosperity

* THE basis of all economic schemes and activities is agriculture, industries and communications. Industries are given prominence in all progressive countries because their development helps to increase the purchasing power of the people faster than agriculture or any other form of gainful employment.

It is stated with much truth that the well-being of the people of all nations rests largely—one may say principally—upon the most perfect working of their industrial organization. There is, in India, a certain amount of co-operation between business communities in industries and commerce but there is scarcely any organization to help the indigenous rural population to find employment. Government too exercise plenty of checks and controls to maintain law and order but, except in times of actual famine, have not been known to start or establish industries or occupations on any appreciable scale to keep the poor alive.

Importance of Industries—Disadvantages under which they Labour

In this industrial age, it is the desire of Government that the population of India should remain agricultural. The average income from industries in normal years is estimated at about Rs. 15 per head of population in India, as against about Rs. 800 in the United Kingdom and over Rs. 1,000 in the United States of America. The smallness of income from this source accounts for the deep distress of our population. This ought to make the Indian population think furiously and awaken their sense of dignity and self-respect, but, under present political conditions, they have lost the will and the confidence in their power as individuals, and they have not the freedom to make the effort in their collective capacity.

Indian industries being insufficiently protected, are exposed to foreign competition, and dumping also is allowed to go on. There was no sound reason why Japan should have been allowed to compete

with industries in India and reduce the income of the latter. Government must have been aware that textile goods were at one time being exported from the Bombay mills to Japan.

During the war heavy industries have been kept out of the country. The machinery and materials required for Railways, big public utilities, for the Army, Navy and Air Force are all mainly imported from the United Kingdom or from outside. The bulk of the business for the supply of these is done in the United Kingdom and to that extent the Indian population is deprived of occupations and employment which ought to be made available for their maintenance.

In present-day politics, control of exchange, quotas, priorities, etc., are rendered difficult and disadvantageous to India because such matters are settled by non-Indian officers without the consent of Advisory Committees of trusted Indian representatives.

Arrested Industries

The following dozen industries may be mentioned as retarded industries. In the case of at least half of these, Government have deliberately used *their* power of control to prevent *their* establishment or growth, and they have not vouchsafed any explanation to assure the public that that was not done in the interests of British exports.

Automobile.

Aeroplane.

Diesel Engine, Railway Locomotives and Power Machinery generally.

Machine Tools and Machinery.

Iron and Steel.

Heavy Electrical Industries.

Shipbuilding.

Special Defence Machinery (Armaments and Industrial Plant).

Heavy Chemicals such as Sulphuric Acid, Chlorine, Caustic Soda, Soda Ash, Nitric Acid, etc.

Dyestuffs.

Rayon.

Plastics.

On the other hand there is no instance of Government having taken the initiative to start or establish any new heavy industry. For several years before the present war commenced, annual Industrial Conferences used to be held under the presidentship of a member of the Viceroy's Executive Council. The discussions recorded in some years show that the industry which received special attention at such conferences was no more important a one than handloom weaving.

Defective Organization and Equipment

The country is ill-equipped with facilities for industrial and agricultural production. There is no direct method of presenting to the public a statistical picture of the position of agriculture or industry in the country or of the sufficiency or adequacy of the products to the consumer. Banking facilities have been neglected and tariff protection was either denied or has been inadequate. The administration being retrograde in these three respects, the productive power of the country has remained low and undeveloped.

Another grave deficiency which affects economic advance is neglect of mass education. The fact has been brought to notice already that nearly 88 per cent. of the population is illiterate. No country of any large size except, perhaps, China is so badly off in occupations or employment. No wonder that American writers have spoken of India and China as two of the economic slums of the world. Progress of industries would have made the population active, skilled and efficient, but Government policies have unfortunately led to keeping the bulk of the masses not only illiterate but also out of contact with modern industries and industrial and commercial pursuits.

Special Facilities Needed to Increase Production and Income

The rural public should be educated, trained and encouraged to submit to discipline and to harder methods and better systems of work so as to be able to produce more consumer goods.

What is being done to-day in Australia will be understood from a statement made a few weeks ago by Mr. Curtin, the Prime Minister of that Dominion: "The Australian Government looked to private

enterprise to establish new industries, to produce those goods still imported which can be made economically and efficiently in Australia. Government must look, in the post-war period, primarily to private enterprise to provide for industrial development." (*Austral News*—September 1944.)

Steps should be taken to spread practices of mechanization, use of machine tools, machinery and mechanical power over large areas. An advertisement in a Canadian paper says: "Early in the game we realized that cog-wheels don't get tired—that it is plain stupid to do anything with your hands that you can do better and cheaper and faster with your head."

A man working with labour-saving tools and mechanical power often does four, five or more times the work that he can do with his bare muscles. Some complaints are heard that the use of machinery reduces jobs and creates unemployment. But a nation which adheres to manual labour will always be a third-class power. In the case of Russia, people were actually compelled to reduce the use of consumer goods in order to save enough to create working capital and divert the nation's labour to the expansion of their country's industrial equipment. This has resulted in Russia's great successes in the present war.

Capacity to increase work by means of democratic and socially acceptable methods should be specially encouraged in the coming post-war period. People in rural areas should be rapidly educated so that they may be able to keep accounts of their income and expenditure and regulate their business and monetary affairs by forethought and calculation.

Promotion of team spirit and unity among the people are a *sine qua non* for the growth of industries and occupations.

Encouraging practices of thrift among wage-earners and the tendency to invest capital in industries are some of the other ways of increasing production and income.

A Country-wide Economic Organization—An Economic Council

It is unthinkable that a country of the size of India with 40 crores of population should not have a separate department in the central

structure of its Government to attend to industries. The immediate establishment of such a department is a prime necessity. The new organization should comprise:—

- (1) A separate Central Department of Industries with a full-time Member of Government in charge;
- (2) An Economic Council to secure protection against foreign imports and dumping by adequate tariff regulation and other measures, to represent and protect the economic interests and wants of the people in the counsels of Government and to explore and recommend schemes of economic development generally;
- (3) A grant of Rs. 8 crores per annum to be given, for five years to begin with, to carry out all forms of preliminary investigation necessary to stimulate economic advance, to grant subsidies and subventions to small industrialists, mechanics and shopkeepers, and generally to train them and encourage disciplined business life on modern lines in every district or geographical unit area; and
- (4) Provision of necessary staff and facilities for collecting statistics and other useful information and for pursuing an industrial and production drive in collaboration with the local business and labour population in each unit area.

It is difficult to conceive of an industrial organization which can dispense with any of the above four provisions without great loss.

Planning Future Developments--A Five-Year Plan

Among other developments in this special economic sphere which the occasion demands may be mentioned the following:—

- (1) To work out a Five-Year Plan for industries and to invest not less than Rs. 1,000 crores (the amount recommended in the Bombay Plan is Rs. 790 crores) in the first five years;
- (2) To take immediate steps to help business men to establish the dozen retarded heavy industries enumerated on page 40.
- (3) To double the production from agriculture and industries in about 7 to 10 years. The detailed proposals formulated by the author in this connection and given in his book "Planned Economy for India," published in 1934, are

reproduced for ready reference at the end of this chapter. It will be observed that these proposals envisaged an increase in the annual national income from Rs. 2,500 crores to Rs. 5,000 crores and the augmentation of the yearly production from industries from Rs. 400 crores to Rs. 2,000 crores. The figures worked out in the schedule given at the end of this chapter were on the basis of development under a ten-year plan ;

- (4) To arrange within the country without delay for—
 - (i) The manufacture of machinery and plant for industrial establishments as well as power machinery ; and
 - (ii) Armament manufacture ;
- (5) To expand the measures already being taken to industrialize rural areas with the help of leading citizens in every district ; and
- (6) To establish an Institute of Higher Technology in some central city or locality like Bombay on the model of the Massachusetts Institute of Technology.

Development of Agriculture and Communications

Agriculture and communications are important next only to industries. Agriculture is a necessary industry ; in one sense even more necessary than manufacturing industries, but its value for promoting material prosperity above a certain level or stage of development is limited.

There are many important developments of a radical nature to be initiated and carried out under agriculture. The Government of India Department of Agriculture should be a separate department with a whole-time Minister in charge. The minor departments now associated with it under the same Government Member should be separated.

Projects connected with communications which promise to give a fair return on the capital invested may be classed among productive undertakings along with industries.

Railways, shipping and air service will be productive or remunerative services and should be preferred to new roads or road extensions. A large portion of expenditure on road extension and repairs should,

until the income of the country grows appreciably higher, be met from current revenues and not from loans. If loans are necessary for war transition arrangements, the charges should be debited to war account.

There are several departments under communications which should all be guided in their ultimate policies by the proposed *Economic Council*.

Associated with the Economic Council and the principal Departments of Industries, Agriculture and Communications, there should be a *Chief Commissioner* or *Director* with a thorough grip of constructive possibilities and with an expert staff for maintaining a campaign or drive to ensure rapid execution of sanctioned plans in collaboration with commercial firms, private industrialists and business men.

In the Provinces there will be usually a corresponding department or staff to work in collaboration with the Economic Council and departmental heads of the Central Government. There need be no actual subordination if subordination has to be avoided. Close co-operation may be secured if necessary by obtaining legal sanctions.

Constructive Measures—Varied and Complex

It will be seen how varied and complex the necessary constructive measures have to be that are required for economic development. For lack of space only a few essential disadvantages which are the result of inadequate facilities are indicated here.

Economic reconstruction to the fullest extent justified by a country's resources is recognized throughout the world as the proper policy to follow, but unhappily the general population of India is too poorly educated to be impressed by this wholesome principle and the recent measures of Government have tended to hinder, not to help, industrial skill and economic progress.

Calamities connected with unemployment, destitution, starvation, do not receive the attention they require, because statistics are not maintained to show their actual extent or volume. The administration

of the country will remain primitive until a proper system of comparative statistics is available for planning new developments.

Unhelpful Government Attitude

For a long time past Indian business men have spent time and money in preparing for industries like shipping, automobiles, locomotives and others, but Government have stood in the way. No clear answer is vouchsafed when a request is made for guarantees against obstruction or for levy of tariffs.

..

The increase in production that has taken place in the United Kingdom is due not only to the greater productivity of labour, but also to the greater *per capita* expenditure on capital equipment. Government's directive power in industries in that country is increasing. Such power is justified because, unlike in India, the people who exercise authority have no other interests outside their country.

All these abnormalities and hardships can be stopped and the colossal losses inflicted on this country prevented if the regulation of policies in future and sanctions to new schemes are controlled by an *Economic Council* composed chiefly of elected industrialists and business men interested mainly in the material prosperity of the country.

The intelligent public are convinced by bitter experience in the past that these inconsistencies and losses will not cease so long as India is administered as a Dependency.

II

Extracts from the Book “Planned Economy for India”

As proposed in an earlier part of this chapter brief extracts from a Ten-Year Plan and Schedule published by the writer in 1934 in his book “Planned Economy for India” are reproduced here. The extracts show that the proposals advocated in this booklet are part of a prolonged investigation and study and not the result of hasty decisions improvised to suit an emergency.

“Capital Investment

“In the schedule of developments given in this chapter, it is proposed to increase the indigenous capital invested in organized industries in British India from Rs. 300 crores to Rs. 1,000 crores

and the value of yearly production from all classes of industries from Rs. 400 crores to Rs. 2,000 crores. The detailed proposals may be worked out roughly on this basis. The proposals involve a combined outlay of about Rs. 700 crores on all new industries over the entire period of ten years. It may be of interest to note in this connection that the Central Executive Committee of Soviet Russia approved of an investment of about Rs. 1,925 crores in large State and co-operative industries alone, in a single year (1933), the investment in the previous year having been close upon Rs. 1,745 crores. These investments were for a country of less than half the population of India."

"Schedule of Developments under the Ten-Year Plan"

No.	Item	Unit	From	To
1	National income (yearly)	Rs. crores	2,500	5,000
2	Yearly production from industries — approximate net value	"	400	2,000
3	Indigenous capital investments in large-scale industries	"	300	1,000
4	Iron and Steel	Tons	1,600,000	3,000,000
5	Coal Mined	"	24,000,000	40,000,000
6	Cotton mill industry— Spindles	Number	9,000,000	12,000,000
	Looms	"	200,000	300,000
7	Automobiles to be manufactured per annum . . . . .	"	....	20,000
8	Yearly production from agricul- ture—approximate net value	Rs. crores	2,000	2,500
9	Increase of cultivated area (British India only)— (a) Dry crop area	Million acres	212	250
	(b) Irrigated area	"	49.7	60
10	Roads	Miles	253,125	500,000
11	Railways	"	42,750	55,000
12	Electric power plant— Capacity	K. W.	1,000,000	2,200,000
	Electrical energy produced	K. hrs.	1,800	4,000
13	Shipping	Tons	271,820	1,000,000
14	Population supported by agricul- ture	Million	250	200
15	Population employed in organized industries	Number	1,500,000	10,000,000
	Population employed in all indus- tries	"	15,361,000	50,000,000
	Population supported by all classes of industries	"	35,300,000	85,000,000
16	Scholars in Universities	"	92,000	200,000
17	Mass literacy	Percentage of total population	8	50
18	Population under instruction	"	4.67	15 "

“ Finance

“The cost of operation of the Ten-Year Plan on the scale suggested is estimated at Rs. 10 crores per annum. Of this sum, Rs. 2 crores will be required, and should be provided for, by the Central Government; and Rs. 8 crores should be found by the various Provincial Governments roughly in proportion to their population. For the first five years at least, the recurring expenditure will have to be met by loans, the annual debt charges being debited to the yearly budgets of the Governments concerned. It may be reasonably expected that, from the sixth year onward, the industrial and other activities will have sufficiently advanced to bring enough additional revenues to enable the Governments to bear this recurring outlay. We say this with all the greater confidence, because we have, as in the United States of America, but unlike other industrially developed countries, a home market to absorb the products of our new industries and manufactures.”

VII. A FIVE-YEAR PLAN

The Bombay Fifteen-Year Plan

THE Fifteen-Year Plan of the Tata Group of Industrialists on which an outlay of Rs. 10,000 crores in fifteen years is proposed, is a good constructive plan, in reality, the most satisfactory plan that has been put forward so far. It is understood that the Government of India have generally approved and accepted the Plan. If they have, to what extent they have done so and with what qualifications is not clear. The public will be expecting early news of the precise view held by Government.

A Deduced Five-Year Plan

From the Fifteen-Year Plan, a plan for five years can be deduced and put forward in complete detail, and from the Five-Year Plan again, a plan for one year accompanied by a first-year budget can be deduced. An expenditure of Rs. 1,400 crores on a Five-Year Plan is foreshadowed in the Bombay Plan itself. If Government are in earnest, advantageous schemes can be picked out easily for the First-Year Plan and put into operation with a preparation of not more than three months. From the point of view of public psychology, an early beginning is highly desirable. The delays in preparations and in Government decisions such as have been going on for the past three years have had an unfortunate effect, and have meant loss of opportunity and considerable disappointment to the people.

Revision by Consultation

The Fifteen-Year Plan and the deduced Five-Year Plan should be placed before the public and suggestions and criticisms invited openly and in the frankest manner from experts, representative leaders and prominent men in the Provinces. Public interest will be roused by such consultations and make the proposals and ideas put forward popular and more readily acceptable.

An approximate distribution of capital expenditure is given in the Bombay Plan. There is a deliberate statement that the distribution is tentative and criticisms would be welcome. If the co-operation of the public in this manner is freely availed of after discussions extending

over, say, some three or four months, detailed plans and schedules for each Province and the expenditure proposed under the seven developments in each, may be roughly settled and distributed among the eleven Provinces of British India.

Table of Expenditure—By Developments and Provinces

Developments Proposed				Fifteen-Year Plan	Five-Year Plan
				Rs. crores	Rs. crores
Industry	..	..	..	4,480	790
Agriculture	..	..	..	1,240	200
Communications	..	..	..	940	110
				6,660	1,100
Education	..	..	..	490	40
Health	..	..	..	450	40
Housing	..	..	..	2,200	190
Miscellaneous	..	..	..	200	30
				3,340	300
Total				10,000	1,400

The Planning and Development Department will have to distribute the figures in this table after the suggested revision among the eleven Provinces of British India. The table will be tentative but it will enable a specific First-Year Plan to be prepared with ease for starting work in every Province. The figures may then be profitably discussed and considered independently in each Province. A very exhaustive discussion is suggested in the interests of the people and the Provinces concerned. After such discussion, a revised table may be prepared for each of the eleven Provinces and a corresponding consolidated one for the whole country.

Policies and Precautions to be Observed in Planning and Operation

These will be explained under the two heads Productive and Non-productive undertakings. It will be seen (*vide* paragraph 77 of the Bombay Plan) that the authors of the Plan propose to spend two-thirds of the capital on productive undertakings and one-third on non-productive or nation-building services. This seems reasonable.

The first three developments under the two Plans in the previous table may be taken as productive undertakings with capital outlays

of Rs. 6,660 crores and Rs. 1,100 crores, respectively, and the remaining four may for all practical purposes be taken as nation-building or non-productive services.

• The circumstances of the country are such that any expenditure on the scale given here, even if projected without so much caution as the authors of the Plan have shown, would be fully justified. Being long starved of constructive plans, the country has been looking forward to the adoption of such a practical measure.

Government may, if circumstances be favourable, borrow large sums of money at low rates of interest and keep them in circulation, so that working capital may be available to producers for accelerating production from industries and agriculture. Government policies have not hitherto favoured such a procedure.

The outlay on productive undertakings in the first five-year programme is taken as Rs. 1,100 crores. The amount will be laid out on industries, agriculture and communications. It is presumed that capital will be provided by private individuals or firms, or that it will be from borrowed money. The interest charges for the first three or four years, that is, till the works become productive, might be debited to the capital account without prejudice to the ultimate financial prospects of the schemes. There are good schemes especially among heavy industries which will satisfy this condition.

We should not lose attention of the difficulties and uncertainties likely to be experienced in the first three or four years after the end of the war, but if we proceed on a five-year plan, the risks will be at a minimum. No country can make any headway in such a situation without taking risks to this extent.

Communications are included in productive undertakings because, taken collectively, they are likely to prove remunerative. It would be wise not to spend much money on roads. Any outlay on them should be treated either as expenditure for military purposes caused by wear and tear due to military operations, in which case the expenditure should be debited to war, or it should be treated as normal expenditure debitable to revenues. It should not be included in development

expenditure, not because road communications do not require extension or improvement, but because money is required for communications of a more urgent description, namely, railways, shipping and air services, which were badly neglected in the past.

In developments undertaken in the United States of America, road extensions were given prominence after the country had been developed industrially. If the earning power of the people is taken into account, expenditure on roads is likely to lead to an unproductive debt. First things must come first. The more urgent communications referred to should precede road extensions. If this view is accepted, the entire two-thirds of the capital of the Bombay Plan might be treated as investment on productive undertakings. Under prudent management the expenditure on these undertakings need not be a burden in any sense on the resources of the country. From this point of view, the large expenditure on roads proposed by Government requires reconsideration.

Non-productive Undertakings—Nation-building Services

Another general principle to be observed is that all expenditure on nation-building services should be met from current revenues. If, as is proposed under the Five-Year Plan, a sum of Rs. 300 crores is to be expended on nation-building services in the first five-year period, arrangements should be made to debit this sum to current revenues. Expenditure on education, health services, etc., might be financed from borrowed capital for a few years at the beginning, the interest being met from current revenues. Much may be hoped for with the construction and rapid development of productive undertakings because, after three or four years the persons who will have invested capital will be receiving dividends and the Government will be getting new tax revenues from this source. The former will, under wise regulation, be partly available for making additions to the capital from year to year, and a part of the latter will be available for payment of interest charges on, and repayment of loans for, unproductive undertakings. With the growth of productive undertakings, less and less money will be going out of the country in payment for imports and more and more money will be available to the public for raising their standards of

living, and to the Government for expenditure on nation-building services such as education, health, housing, etc.

Expenditure proposed on housing, although large, will be provided mainly from private sources, except that Government may have to spend some small sums for preliminary expenses on town-planning schemes and small capital outlays on public buildings.

Capital may be liberally spent on mass elementary education because that has been a starved activity all along. The interest charges on the loans may be met from revenues at the beginning, and later on both sinking fund and interest charges, from the increased revenues which Government are likely to get from productive undertakings. It may be found at the end of the fifteen-year period that the entire expenditure on nation-building services will have been met from additions secured under current revenues alone. The interest on any loans left after the fifteen-year term should be met from current revenues, Central or Provincial.

Economic Drive—Review of Results

If the proposed Economic Council and the Government Departments concerned carry on a drive or campaign in the country explaining to the people the objects of the plans and the benefits likely to accrue, it will be a means of awakening interest and creating confidence in the economic life of the entire area.

Once a plan or scheme is started, there will be regular stock-taking at the end of every year to collect and record results regarding capital invested, growth of production, increase of employment, and the actual value of output. These will be the tests of progress. If at the beginning of every year budgets and programmes are worked out after taking into account the accumulated results and experience up to the end of the previous year, all that is necessary for the progress of the Five-Year Plan will have been attended to.

The second Five-Year Plan will work for higher stakes but it will have the backing of the very valuable experience gained under the first Five-Year Plan.

VIII. RECOMMENDATIONS—SUMMARISED

WE have briefly indicated in the preceding chapter how the Bombay Plan can be successfully worked.

If any other similar comprehensive plan is adopted, it will mean, it is presumed, changes in the capital expenditure to be incurred on individual developments and on the reconstruction programme as a whole and also changes in the period in which it would be utilized.

The principal handicaps of Indian business men and industrialists in their present-day economic struggles are: (1) that industries are discouraged and obstructed, (2) that Government in these days are not in the habit of promoting any connected plan or scheme of economic uplift to put heart into the people, and (3) that statistics are not maintained to give a clear idea of the precise extent of unemployment prevailing in any area, or a connected view of its economic condition.

In order to remedy this perilous state of affairs the authors of the Bombay Plan have stipulated that underlying their whole scheme was the assumption that on the termination of the war or shortly thereafter "a National Government would come into existence at the Centre which would be vested with full freedom in economic matters." More precise reasons are given in the early part of this publication (Chapter II) to show why, in order to remove the economic fear of Great Britain and work a reconstruction plan in a satisfactory manner, it is necessary to have a National Government.

Certain criticisms of the Bombay Plan in British journals have raised doubts as to the financial soundness of the Plan. One way in which it can be worked, as explained in the last chapter, will show that none of the major difficulties mentioned is likely to interfere with its success. The Plan, after the discussions that have taken place, will doubtless undergo important changes, but all in the direction of enhancing its value.

The country requires reconstruction on a colossal scale. Satisfactory reconstruction will not be possible by partial moves, by taking

up an industry here or a reform there. By the time one or more succeed, the rest will have receded into the background. Reconstruction to be effective should be attempted both by the Government and the people working in close co-operation.

Reconstruction Plans should have a National Viewpoint

The aims of the leaders of the people and of the Government in India are not identical, and there are at present no satisfactory organizations common to both for promoting economic or general welfare. To render such promotion in future possible, a definite beginning should be made towards building up an Indian nation by outlining plans and programmes in the political, economic and social spheres.

The execution of any plan of reform cannot be carried out effectively by the unco-ordinated effort of single individuals or groups; a nation which does not regulate its economic affairs on a connected plan is liable to sink into decay. The future prosperity of the country requires that India should develop the idea of nationality and work out her destiny as a united nation.

Government Proposals and Bombay Fifteen-Year Plan Contrasted

We have had occasion more than once to refer to the unsuccessful attempts of Government to prepare a plan. They have been working on reconstruction proposals for over three years and since they are unable to come to any sound decisions, presumably on account of conflict with British trade interests, no consistent or unified policies have been announced so far. There have been committees, consultants, experts, fact-finders, policy-advisers and others, but for all practical purposes the effort has been a case of machinery without functions and expenditure without result.

We witness an extraordinary difference of opinion between the promoters of the Fifteen-Year Plan and the Government authorities in regard to the utilization of capital. The industrialists who have issued the Fifteen-Year Plan propose to spend on industries, agriculture and communications as much as 67 per cent. of the entire capital intended for the Plan. They have named a sum and they have mentioned

a period for the expenditure. But the Government of India propose to spend large sums of money on certain developments or services—such as Rs. 400 crores on roads and over Rs. 300 crores on railways—some of which are likely to lead to heavy unproductive debt. The services named, though important, do not constitute the country's prime necessities to-day.

Without first compiling or putting forward a complete or comprehensive plan, the Government of India seem to be issuing orders for the preparation of concrete proposals unconnected with one another. They have made only a casual reference to manufacturing industries to which the Indian public and the Bombay Plan attach the greatest importance.

The difference between the Bombay Plan and the Government attitude is very marked. The Bombay Plan wants to increase output of production from industries nearly five times, Government, on the other hand, are fixing attention on agriculture and several costly unproductive undertakings. The Bombay Plan expects to pay for non-productive developments or social services from increased revenues from industries and other productive undertakings. Government, on the other hand, have been contemplating the levy of new taxes, such as estate duties and death duties, ill-adapted to an industrially undeveloped country. If Government continue to be hostile to industries, there is no hope for any plan of reconstruction to succeed and if they long persist in this attitude, there will be no hope of peace or prosperity for the country.

Three Main Divisions of Reconstruction—Three Corporate Bodies

We have discussed the deficiencies and wants of the country under the three principal heads, political, economic and social, the last head including nation-building. The general recommendation is that reconstruction work of all descriptions of this entire sub-continent should be dealt with under the advice of three corporate bodies working in close association with the executive departments of Government. The three corporate bodies suggested are:—

- (1) *A Reconstruction Commission* to assist in building up the new Constitution and, after it is built up, to help to maintain

its growth for a time by following closely the working of the Governments of Canada and Australia and other countries known to possess a progressive constitution.

- (2) *An Economic Council* to watch and stimulate economic progress of every description; progress, for instance, of such important measures as the growth of production and industrial advance.
- (3) *A National Reconstruction Board* to attend to measures of social and cultural reconstruction, including the bringing up of past administrative lags, and to all other measures of a miscellaneous character connected with social advance and nation-building.

These three corporate bodies are to be the main advisory agencies of the country's activities during the period of reconstruction.

Each corporate body should have on it accredited representatives of the Central and Provincial Legislative Assemblies, Chambers of Commerce and other public bodies, so that the measures undertaken by it may, as far as possible, have behind them the solid support of both the Government of the country and the representatives of the people.

The duties and functions of the Reconstruction Commission will be understood from the brief reference made to it in Chapter III, those of the Economic Council are explained in Chapter VI and the activities of the National Reconstruction Board are described in Chapter V. It seems appropriate that there should be these three corporate bodies for the three classes of distinctive duties into which the entire reconstruction work of the country naturally divides itself.

Yearly Grant of Rs. 10 Crores

The least that Government can do, at once, is to give an annual grant of Rs. 10 crores for the first five years of planning and preparation for all these three classes of reconstruction. Out of this grant, Rs. 8 crores should be utilized for investigations, preparations, etc., connected with productive undertakings as explained in Chapter VI. The balance of Rs. 2 crores may be utilized, at the rate of Rs. 1 crore each for political reconstruction and social reconstruction, respectively.

The amount will be spent on the work of investigation, planning and preparations in these two spheres.

The heaviest portion of expenditure out of this grant will be for economic reconstruction, chiefly on productive undertakings because, whatever money is spent under this head, even on investigations and preparation, is likely to be productive. The grant is, it will be seen, mainly for planning and preparation under the three main divisions of reconstruction and in many cases not for developments themselves. Whatever balance may be left every year from the amount given for productive undertakings, might be profitably utilized in rural areas for increasing production under industries and agriculture.

This annual expenditure of Rs. 10 crores for the first five years in the manner explained, is a most desirable outlay, and will be of outstanding value for furthering post-war reconstruction.

Reconstruction Finance

If any other plan is adopted, the difference from the Bombay Plan will be mainly this: the number of developments proposed as well as the amount of expenditure under each may be more or less. The total outlay and the period in which reconstruction measures would be in operation might be different. But there cannot be any appreciable difference in the principles and procedure to be followed.

Whatever form the plan and programme may take, it is necessary to provide for productive expenditure first. If this expenditure is freely incurred, it will begin to earn income for the people and taxes for Government. The Government will not be required to take any responsibility for financing productive works if the works undertaken consist chiefly of heavy industries at first.

As regards expenditure on education, roads, public health, etc., the money should come from the revenues of the country. The revenues have to grow from the earnings of productive undertakings; otherwise the State is likely to be burdened with a growing heavy unproductive debt.

All these aspects should be taken into consideration in planning reconstruction. The amount to be spent under each development

should be specifically settled not only for the country as a whole but for each Province. When the total outlay under all developments assigned to a Province is known, the reconstruction authorities of that Province may be permitted to redistribute the total expenditure in any manner they consider prudent or profitable to their Province and to submit a unified provincial plan for the approval of the central corporate body and the Central Government. The Central Government will then compile a comprehensive plan for the whole country. This plan may be worked out for a period of five years. From this five-year plan it will be easy to abstract a plan or budget for the first year of operation.

Some capital may be laid out also on social services from the very commencement but the interest on the capital spent should be met from current revenues. By and by, as earnings from productive undertakings begin to come in, Government will be enabled to spend more liberally on social services.

It is undesirable that reconstruction work relating to the settlement of demobilized soldiers, and other measures connected with the transition of war to peace-time, should be mixed up with these works of internal development. Work may be given to demobilized soldiers and others on these works wherever convenient but the share of any special expenditure incurred on their account should be kept separate and debited to war account.

Concluding Remarks

In a post-war plan and programme for the United States of America (1943) the statement is made that "no amount of economic and social planning can be realized without administrative powers and organization commensurate with the scope of the plans." This is particularly true of present-day conditions in India. It has been stated in an early part of this publication, that the greatest and gravest of problems awaiting solution in India to-day are political. The authors of the Bombay Plan have also stipulated that their Plan can be worked satisfactorily only if a National Government came into power. The political problems should be settled first if a satisfactory solution of

economic problems is to follow. It should not take long to settle the political problems also if they are approached with mutual goodwill and with strict regard to past undertakings.

The political aspect of Indian States' relations to the Government of India has yet to be settled, and, so, we have not considered the question of participation of Indian States in the proposed reconstruction plan. This can be easily arranged as soon as the political situation is clarified.

The Reconstruction Plans should provide that the productive, educational, cultural and other activities should proceed as far as possible at an equal pace in all the Provinces; otherwise, if only a few Provinces or States show enterprise or work hard to improve their position and standards of living, there is likelihood of a setback from the influx or rush into the more prosperous areas of ignorant and destitute populations from badly governed, less enlightened Provinces and States in their neighbourhood. This is an enormously important problem. Progress has to be uniform throughout India; at least an attempt has to be made to keep it so. On account of the general uncertainty in which many vital problems are left, neither the Government nor the public are giving any attention to it at present. The leaders of Indian progress will, it is hoped, not lose sight of this problem in planning future reconstruction measures.

If proposals made in this booklet are given effect to, the losses caused by the restrictions placed on industries and other productive undertakings before the War, and the injury done by the enforced stagnation of heavy industries during the War, will be partially remedied or redressed; and, to that extent, the new measures will be appreciated by the public.

